

For R. R.
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THE QUARTERLY REVIEW OF COMMERCE

Volume XI

No. 3

BOOK REVIEW

Editorial

Petroleum at War

The Rehabilitation of Salesmen

Consumer Credit

Have We Got What it Takes to
Ensure a Reasonable Post-War Future?

Public Relations in a Post-War Economy

Traffic Count—City of London, 1945

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Editorial

Since the last QUARTERLY REVIEW OF COMMERCE came out the war in Europe has ended. With the end of the European conflict has come the end of much of the fighting for Canada. But despite the lack of training for tropical warfare and the lack of ships equipped for the Pacific, Canada's effort will be more than a token one.

The admirable spirit of co-operation developed in wartime between management and labour in Canada must continue if we hope to build a prosperous, secure Canada. After the last war, the end of hostilities seemed to ring in an era of friction between management and labour. This did much to disrupt our economy and leave us vulnerable to the arch-enemy of both management and labour—DEPRESSION. If we hope to prevent depression after this war, a potent weapon in this direction will be management-labour co-operation. In many ways depression is as terrible as war. What makes them both so terrible is that they are avoidable. To avoid them we must not make the mistakes which lead to them.

To be victorious in war management and labour co-operated; to be victorious in the peace management and labour must co-operate.

THE QUARTERLY REVIEW OF COMMERCE

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PREVIEW OF THE NEXT ISSUE

Personnel Management—that fascinating topic will be the subject of the next issue of the QUARTERLY REVIEW OF COMMERCE. We have succeeded in securing a number of fine articles by outstanding contributors. These should be of great interest to all businessmen.

Among our contributors are Richard G. Flood of the Canadian General Electric and W. Frank Sutherland. Messrs. Hansford and Foster, the latter Director of Personnel and Public Relations of the Dominion Stores, discuss the topic "People, Not Things, Make Money". Mr. J. A. Campbell, of the London Life Insurance Company, compares the salient features and the present British, American and Canadian social security systems.

Several other outstanding articles will complete this excellent issue.

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THE QUARTERLY REVIEW OF COMMERCE

VOLUME XI



NUMBER 3

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PETROLEUM AT WAR

J. GORDON THOMPSON

President, Supertest Petroleum Corporation, Limited

SUCCESSFUL prosecution of modern warfare depends on petroleum. That is a broad statement but nevertheless true. Petroleum products were used in a limited way in World War I. The taxicabs of Paris hurried the French Army to the Marne. It was used in automobiles, motor trucks, aeroplanes, submarines and in many other ways.

The importance of the use of oil in the last war can be summed up in the earnest plea of Premier Clemenceau to President Wilson, when he said: "If the Allies do not want to lose the war, it is necessary that fighting France, in the hour of supreme German shock, should possess the oil which is as necessary as blood in tomorrow's battle."

The Germans controlled coal and railroads, and calculated to win quickly. But the Allied Armies came on with petroleum as well as human and animal power.

Then came the present war and back in those dark days when Hitler's hordes swarmed over Europe and Goering's planes gave England such a terrific bombing, they thundered out the inescapable

fact that this was to be a war of petroleum products. This was a plain warning to the petroleum industry of this continent, a challenge which has been met.

The oil industry is doing a big job in this war, not only with its many regular products and special war products, but through the thousands of oil men serving in the various branches of the Armed services.

New products have been devised and produced by new methods from a billion and a half dollars worth of new plants, mostly provided by industry. It is difficult to appreciate fully how absolutely essential oil is in this war; or to know to what extent oil and the internal combustion engine have changed the character of war, and thus placed new problems before the brains of the industry.

Most of us can think back to the horse and mule days of the last war. The great task of converting war, its tactics and its supplies to a mechanical basis as we see it today has had its problems. Putting horses out to pasture and gathering hay, as in the past, was far simpler than handling millions of barrels of liquid, most of it highly combustible.

As previously mentioned, the internal combustion engine did, however, get its baptism of fire toward the end of the last conflict. But the volume of oil for that war was as a garden pool to a lake in comparison with that being used in this war.

Simple distillation was the only technical characteristic of the products in the old days and cannot be compared to the highly specialized products made from new processes and in new plants, many of which did not exist until after the present conflict started.

It may be idle speculation to discuss whether Germany could have developed, by its totalitarian methods, as large and effective a motor fuel industry had the great oil fields of the world been within her borders, instead of largely within the borders of the United Nations. It can be pointed out, however, that after twenty years of preparation for war, Germany, at its motor fuel production peak and with all its claimed power of dictatorship, was able to refine but two-thirds as much as that of this continent with a free and highly competitive industry.

A great responsibility rests on the petroleum industry of this continent to provide, without a minute's interruption, all the fuel that

carries on this war from the Allies' standpoint. Millions and millions of gallons of gasoline were concentrated in the British Isles before "D" day, and there were evidences everywhere of the tremendous might and invincible power concentrated in that base.

The biggest "service station" operation in the history of the world was unquestionably the one that served gasoline and oil to all the ground vehicles of the Allied Army when it was assembling at English ports to sail for the great continental battle on and after June 6th, 1944. Tens of thousands of vehicles passed to these ports day and night for loading on ships as fast as they arrived. The last possible quart of fuel was squeezed into each gas tank, and each vehicle had additional fuel in cans to tide it over until supplies could be landed across the Channel. The supplies arrived quickly.

Some idea of the petroleum requirements of modern warfare may be gathered by the fact that in 1914 a division was equipped with vehicles of 4,000 h.p., while today a division has 178,000 to 180,000 h.p. A battleship requires 750,000 gallons to refuel, and a bomber flying from England to Berlin and back consumes 4,000 to 4,500 gallons of gasoline. It is estimated that it requires 3,000 gallons of gasoline to train a fighter pilot.

War has seen the development of many new petroleum products. It's a far cry from black oil, kerosene and gasoline, the three petroleum products of over sixty years ago, to the hundreds of petroleum products in use today, and the thousands of uses to which these products are put.

The new product in greatest demand today is 100-octane gasoline. This has been stepped up from the average 75 to 80 octane fuel used in pre-war days. 100-octane gasoline will lift a plane 25 per cent. quicker, or lift a 25 per cent. greater load and will carry a plane 25 per cent. faster. This gasoline has a terrific potential power, three times greater than that of TNT and seven times greater than that of dynamite. However, we get only 10 per cent. of the potential power. Forty per cent is lost in the cooling system, 40 per cent in the exhaust and 10 per cent in friction. The cream of the crudes is being used in the manufacture of 100-octane gasoline.

It would require volumes adequately to tell the story of the romance, the difficulties, the disappointments and the new discoveries in connection with oil during the past sixty years. Pages could be written on the hardships of exploring, such as the fact that in many instances these explorers must wear heavy protection from their ankles

to their knees when going through jungles to keep from being bitten by vicious reptiles. In the year 1940, however, the first full year of the war, the known production was as follows:

United States	1,351,849,000 bbls.
Russia	216,909,000 bbls.
Venezuela	184,761,000 bbls.
Iran	79,151,000 bbls.
Roumania	42,885,000 bbls.
Iraq	24,225,000 bbls.
Burma	79,788,000 bbls.
Japan	26,380,000 bbls.
Canada	8,718,000 bbls.

At the International Conference on Oil held in February, 1944, the world reserves of the principal producing countries reported at that time were as follows:

NORTH AMERICA		Barrels
U. S. A.	20,082,793,000	
Canada	150,000,000	
Mexico	600,000,000	
Total, North America	20,832,793,000	
SOUTH AMERICA		
Venezuela	5,600,000,000	
Colombia	500,000,000	
All Others	634,000,000	
Total, South America	6,734,000,000	
EUROPE		
Germany (including Austria)	68,700,000	
France	11,000,000	
Italy	1,000,000	
Albania	41,000,000	
Poland	30,000,000	
Roumania	392,000,000	
Hungary	75,000,000	
Czechoslovakia	1,200,000	
Union of Soviet Socialist Republics	5,735,000,000	
Total, Europe, including Union of Soviet Socialist Republics	6,354,900,000	

ASIA	
Iran	5,000,000,000
Iraq	4,000,000,000
Kuwait	4,000,000,000
Saudi Arabia and Bahrein	2,000,000,000
Qatar	500,000,000
	<hr/>
	15,500,000,000
India and Burma	167,400,000
Japan	36,000,000
Netherland East Indies	950,000,000
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Total, Asia	16,653,400,000
AFRICA	
Egypt	86,000,000
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Total, Africa	86,000,000
Other countries, unspecified	41,500,000
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Total world petroleum reserves	50,701,800,000

Canada is doing all possible to increase production. The bituminous sands of northern Alberta are said to contain a tremendous natural wealth of crude oil, which will probably some day be fully developed.

Transportation of oil became one of the early problems of the war. When war opened, transportation on this continent was by tankers from the Gulf of Mexico, up the coast of the Atlantic to the refineries, and flocks of submarines lay in wait for these carriers. Eighteen major projects were undertaken to change this flow of oil and thousands of miles of pipe were laid to the east coast of the United States.

Of this pipe line, 1,450 miles are of pipe, 24" in diameter, weighing 95 lbs. to the foot and pumps 300,000 barrels of oil per day. It required 4,000,000 barrels to fill the pipe to start operations.

The next undertaking was to get this refined oil across the Atlantic. Groups of corvettes, carrying new detecting apparatus which could locate submarines, even to their number, were assembled. They would surround the enemy subs attacking a convoy, and when they had them trapped, planes would be summoned which would criss cross the

circle and attack. They did a marvelous job, and it is worth while noting just here that these implements of protection are fueled by the petroleum industry.

The question has been asked as to why air transportation was not used for these cargoes of fuel. To go direct to London from New York it requires four tons of fuel to deliver one ton of cargo, while on the surface route it requires only one ton to deliver one ton of cargo.

Tankers have been one of the biggest and most vital implements of this war. The Allied Forces must have the type of fuel where they want it and when they need it. The Axis powers made a very determined effort to cripple this part of our transportation system.

When the history of this war is finally written, it will be found that the battle of the Atlantic was one of major importance.

It has been said that necessity is the mother of invention, and engineers developed a new kind of pipe, a flexible pipe, one of the finest inventions of the war. This pipe does not require a trench as it can be laid on top of the ground. It is 4" in diameter, weighs 5 lbs. to the foot, and is made in 20 foot lengths with quick couplings. It can handle 25,000 barrels of gasoline per hour. The Chinese made use of this pipe on the closing of the Burma Road. It was used in the Tunisia campaign, where lines were laid from 75 to 300 miles in length, and for probably greater distances in the campaign through France this summer. It has been given more credit for the rapid progress made than anything else. In place of huge storage tanks, which were always enemy targets, this special line goes directly to the front from the tankers. This pipe is grey in colour and not easily detected from the air. One hundred miles of this new pipe can be laid in one day, and along this length there are several main pumping stations, each with three 1,500 h.p. motors. The pipe costs \$3,000.00 per mile.

Construction of the world's longest pipe line, which will carry vital oil and gasoline over a 2,000 mile route from Calcutta, India, to airfields in Yunna, China, when completed, has recently been revealed. Construction has already commenced. It is an enormous undertaking as the pipe line must run over plains, under river waters, and through hot, disease-ridden jungles. The engineers themselves are men from the petroleum companies of this continent, who have been given special courses of instruction under battle conditions.

It is interesting to note here that there is sufficient pipe line

carrying petroleum products in the world to completely circle the earth five times.

The war has caused many impacts on the normal peace-time functions of the petroleum industry, not the least of which has been the necessary Government controls. Ties have been broken with old customers, new ones have been made. There have been increased problems related to personnel, raw materials and finance. Some of these have struck suddenly and burdened the industry only temporarily, while others have persisted.

The technical impacts probably centre around the wartime construction of plants especially designed for wartime products such as aviation gasoline and the miles of pipe line, but these should not present any unsurmountable reconversion difficulties.

The economic impacts centre to a great extent on the degree of control placed on the industry in the post-war period. Will controls be continued? They were not all imposed at once. They grew with the course of the war, and may be removed gradually. At first some of the new orders caused dislocations, but the structure of the industry as a whole possesses remarkable recuperative powers—powers emanating from experience.

Certain kinds of opportunities have been affected by the impacts of war. Undoubtedly the post-war civilian demand for petroleum products will reach an all time peak. There is an added significant trend, the growing demand for the intangibles called "service". The demand for "service" in all lines, not merely the petroleum industry, constitutes one of the observable trends. It merits special consideration because of its relation to the role which growth of "service" in the industry will play in solving the post-war rehabilitation problem. The service station has provided one of the most rapidly growing outlets for service workers in recent years, and will be even more so in the days ahead.

New petroleum products developed with all the skill and technique of war will eventually be available for civilian use. The industry keenly looks forward to the adjustment period, and will meet the challenge of post-war with the same determination and forcefulness that it has met the challenge of war.

THE REHABILITATION OF SALESMEN

F. W. P. JONES - J. R. KESTLE

WHILE it is essential that post-war planning be carried out on broad lines, with the full assistance of government agencies and business organizations, there is also a definite need that this all-important effort be narrowed down to industries, to separate businesses, even to individuals. The small scale endeavours in limited spheres of business activity can play a very vital part in the success of the whole post-war planning picture. In this latter sphere comes the task of training the returning salesman.

The longer the salesman is away from his job the more serious the problem of rehabilitation becomes, and, in addition his functional position in the service will have a marked effect as well as his mental attitude during the time he is in the forces. When the salesman enters the service his whole environment changes; he enjoys an easy carefree life when off duty and usually his mind becomes slower and sometimes even idle. After his first period, he is transferred to an active war front. Here he is under a terrific nervous strain during his waking hours and has little time to rest or think; he finds himself annexed farther and farther away from his old peace-time job. All these factors increase the problems of rehabilitation and must be considered in any proposed planning.

Every specific case in the rehabilitation of salesmen is different. No two salesmen were alike to begin with, and certainly no two salesmen have had the same experiences either with their own firm or in their career as soldiers. One man may return a captain, another only a corporal and at least for the initial period, cannot both be treated similarly. The former will be quite convinced that he is an excellent leader of men while the latter will feel quite inferior to him. Smaller companies have a decided advantage in having only a few salesmen and managers to retrain, as they will be able to do a more detailed, thorough job with individual attention. For companies with 150-200 salesmen to rehabilitate, although the task will be greater, there are available, however, special films, projectors, lecturers and courses which will be invaluable in any plan they may see fit to set up.

The execution of this plan will not merely be a matter of showing the men where the company stands at the moment, giving them price changes and telling them what is available to sell. Office personnel may have been accustomed to such work when they were in the service and can continue on with similar duties in a business but it is not so with salesmen. Thus, to be successful, it should be complete reindoctrination; a carefully planned and executed refresher course.

At this point it would be appropriate, briefly, to outline the plans that various companies have adopted in attempting to solve this problem.

Allied Mills, Inc., of Chicago are doing an effective job—every executive from the president, John B. Dehaven, down, corresponds with several employees on a man-to-man basis. The company publishes a monthly paper for its ex-salesman in the service; in this publication, latest developments in promotional and production methods are clearly outlined. The actual rehabilitation plan has been formulated and is as follows:

- Step 1—Each district sales manager submits a definite program for fitting servicemen back into his district territorial set-up.
- Step 2—Each sales manager sees that the veteran takes at least two weeks for personal orientation (friends and family) upon his return. The company will approve payment of two weeks' salary, pending the veteran's return to the job.
- Step 3—The veteran will accompany another salesman for two or three days, at the same time studying a special Training Manual.
- Step 4—He then has one week of re-selling in a territory where he is unacquainted. This helps him to regain confidence in himself.
- Step 5—The final step in the plan is to send the veteran to Company Headquarters in Chicago where he is given a review of what has happened in the industry and in the company during his absence.

Pen Mutual Life Insurance Company, Philadelphia, has a four-point programme for its returning salesmen:

- Step 1—The Company has designed and is now putting into production, an announcement card which will be sent to all of the agent's policyholders notifying them of his return, and that he is ready to resume business.

Step 2—A set of full, direct mail advertising material is sent to each man, indicating all the changes that have taken place since he left.

Step 3—Within one year of discharge the salesman can, at the expense of the Company, attend an approval school in Chartered-Life Insurance Underwriting. This offer is open to agents who do not hold a degree which is similar to the C.P.A. in the accounting field.

Step 4—A school at the Home Office has been organized which makes available lectures on selling, new policies of the Company, as well as all promotional ideas that have been acquired.

(Note: A course such as this Company offers its men would be quite expensive but it illustrated effectively the seriousness of the problem with which executives are confronted.)

The organization of John Labatt Limited, London, Canada, widely known for its "public-mindedness", has set up a plan to serve not only their returning veterans but also to aid Veteran's Welfare Committees in the smaller localities.

While employees are in the service, constant contact is maintained—the Company house organ is sent to each one, and the serviceman, on the other hand, sends a description of all the knowledge and technical training he may be receiving in the forces. This information proves very valuable in rehabilitating the man upon his return. When this time arrives he is welcomed by the President of the Company and by his former superintendent. In addition he received a gratuity based upon his length of service and the war theatre where he served.

The rehabilitation training programme involves three distinct steps:

Step 1—The addition to the Company staff of a man trained in government rehabilitation programme.

Step 2—A three weeks' course for salesmen from Ontario Communities.

Step 3—The follow-up by these salesmen on community assistance in rehabilitation work.

At present the rate of return of men is not great; however, certain modifications of this plan will be necessary when larger numbers are to be rehabilitated.

To cope with this problem Somerville Ltd., London, Canada, has set up an effective procedure. Upon the veteran's return, he spends a

period of two weeks in each of the departments of the Company. Here he gains a knowledge of new products and basic general ideas helpful in selling.

Following this period he is given detailed instruction on costs and standards as they are now set up. To assimilate these two steps he spends a further two months in the plant.

Finally he goes on the road with one of the older salesmen who coaches him until he feels he is ready to go out "on his own".

This course does not include formal lecture periods as yet; the management realizes, however, that this type of training will be required to make it all-inclusive.

Hobbs Glass Ltd., London, Canada, has formulated the following procedure which has proved quite effective in dealing with the problem.

- (a) An informal "welcome" letter is sent to each man by the President. In it he stresses the facts that the Company is happy to have him back and that he is considered a part of the organization.
- (b) As soon as the veteran presents himself he is put on the payroll and all expenses are paid by the company until he gets settled.
- (c) He first spends a two-week period in the plant where he is acquainted with every change and improvement that has been made in both product and production methods.
- (d) Then, while he is at head office, he is taken in to have a talk with all the head office personnel. Following this period the veteran works out of head office with a salesman for two weeks—finding out what "opening doors" is like again.
- (e) Now he goes back to his own branch manager and works there for a further two weeks preparing to move into his own territory.

To make this course more personal, Hobbs have published an informal, detailed account of the programme. It is written in conversational language which makes it very presentable to the "returning warriors". Interesting cartoons have a further human interest appeal which is very necessary to the success of the publication.

After considering these examples of how several companies are handling this problem, may we now outline a general programme that might be of use to other businesses faced with this task of rehabilitating salesmen.

I would launch the programme by having the President of the Company write a very informal letter and send a copy to each man in the service. In it, stress the facts that you consider the men still a definite part of the Company and that you want them to help in your reinstatement programme. Tell them that you realize that they have acquired valuable training and new skills which may qualify them to a higher degree than formerly, and that it is important that you know what are their new interests and responsibilities. Accordingly, then, you have enclosed a brief list of questions which will be mutually helpful to the salesman and to the Company in planning for the future.

This so-called training which the men have received in the services, their present responsibilities, and what type of selling job they would be suited for on their return. In the plant, a Veterans' Committee, made up of representatives from both management and workmen, would be set up to analyze the information and use it intelligently to plan the men's reinstatement.

I think this letter would be an essential step in the programme because the number of answers received from the questionnaire would be a guide as to the number of men who were going to return. Men who expended the effort to answer it would be showing that they were interested and dependable—these are the ones you want in your organization! Those who did not reply probably would not be intending to return to your organization or, if they were, would not be the aggressive, interested men you require. From the pre-war employment card the veteran's history is an open book; from his reply to this questionnaire his aspirations for the future are available.

Now that you have an idea as to what men are definitely coming back, I would recommend that you prepare a number of booklets. In these could be outlined the technicalities of the new products, the new sales direction programme, and the changes in sales policy. In the sales policy booklet you would describe the system of payment, the car ownership policy and the new controls of salesmen. To each man who answered your questionnaire, send a copy of this material; this will help to "pave the way" for the greater job you will have to do when he arrives.

When the man reports at the plant, he first has a long talk with the executive in charge of the Veterans' Committee (which will probably be the sales manager). His hopes and expected income are among the matters which may be discussed. The programme for his retraining is outlined to him and then it is begun.

First, to do a good job of selling he must know his product "from the ground up". To accomplish this, I would put him in the plant for a certain period (depending on the length of time he had been absent). Here, he could learn how changes in producing and in technical work had occurred; he could see the new products and know how they are handled. He will be able to observe how the company has diversified its line and how these lines have been directed and controlled. Only by knowing the various phases through which the Company has passed will the veteran be able to talk as intelligently and with as much assurance as if he had never been away. Every piece of promotional material, each advertisement, all displays and sales helps supplied while he was gone, and those in use at present, should be given the salesman. Attached to each of these is a slip explaining what it is designed to do, and who received it.

Part of this first phase of the training would include classroom instruction. Here the problems could be worked out in detail and theory. All the promotional material could be discussed and made familiar to the men. Every change that has been made would be explained and the present system brought forward. Special emphasis should be placed on the policies regarding daily and monthly controls. If the men understand that these reports are for their own benefit, they will be more efficient in their preparation. I would also include a number of lectures by the sales manager on the buying habits of dealers and consumers at the present time and how they will change in the near future. An important feature of the classroom instruction should be the discussion of new products. These are the lines which will need the most selling! All the merits and properties of each new product must be explained to the salesman, also how he can use these as selling points.

Now for the "finishing off", I think the new man should be paired with a salesman who has had uninterrupted experience with the Company. Discussions outside working hours, "palling" around together and talking of conditions in general and what has occurred during his absence, would help adjust the veteran. He could gain some idea of the problems met and overcome, the reason for existing shortages and the feel of the situation from the time he left. The salesman who has been on the job all along, while being expected to serve as a guide, may even develop into an unofficial tutor.

During this whole programme, a progress sheet should be kept of the salesman's record and to terminate the course a written examination

given. On this progress sheet would be information under headings such as, changes in attitude, interest in lectures, eagerness to learn, adaptability to new methods and controls, suggestions for improving the course itself. Together with the examination, this information would afford you a good basis to establish an opinion of the veteran.

I would anticipate that men will return over a reasonably long period—not more than four or five at a time. The pattern for retraining them should be set and ready. It should be kept flexible however, for men with varied experience and different lengths of service will require different rates of speed to become adapted to sales work again. I think each man should return at the same rate of pay he had when he left; or, if that rate has been increased, he should get the new rate. As for seniority, I think it should be on the basis of what it would have been if the man had never left.

Now, when you finally have your salesmen retrained, (at no small expenditure), continued efforts should be maintained to ensure a strong sales force. That is, build and maintain his morale.

Take particular pains to make sure that the salesman has a congenial family life. No matter where the responsibility may lie, no man can work efficiently if he is continually having family troubles. Is he happy in his location? No salesman can really do a job in one city, if for instance, his wife and family are unhappy and homesick in another. He cannot be on top mentally if he is beset by financial worries. Assure yourself that each salesman is capable of managing his financial affairs. Furthermore, one of the main causes of low morale is the belief on his part that he is being underpaid. To avoid this, make sure that the remuneration for the territory for which he is being hired is in line with his past earnings and at a level to meet, at least, his minimum requirements.

Most important of all, a salesman's relationship with his immediate supervisor must be on the highest level, with no clash of personalities. There is nothing that destroys morale faster, and leaves a salesman in a bedraggled mental state, than unnecessary or poorly handled clashes with his supervisor; on the other hand, no single factor can so raise a salesman's morale as the proper kind of supervisor, tailored to fit the individual personality of the man being dealt with. No human being likes to be treated as one of a mob—and salesmen are, of course, no exception.

CONSUMER CREDIT

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THE use of credit probably outdates the invention of money. It is quite logical to imagine one of our hairy ancestors permitting a tribal brother to share a temporary surplus of food in the expectation that it would be returned at a later date. Such an elementary transaction was, in fact, a loan; and it is quite possible that many a primitive "lender" was disappointed in his expectations. It is also possible to understand that some primitive "borrowers" may have condemned the practice of lending as being unsocial and a tool of capitalistic enterprise.

The use of money involved very gradually as primitive nomadic life gave way to settled communities and goods were exchanged between them. Credit facilitated trade, since by this means it was no longer necessary to effect a physical transfer of goods in order to complete a commercial transaction.

Credit, in general, breaks readily into two parts—"Producer" and "Consumer". Producer Credit implies an investment in a productive enterprise which, it is hoped, will add to the world's goods. Consumer Credit, on the other hand, is extended to facilitate the distribution and consumption of goods, to meet our emergency, or to anticipate income. These are the fundamentals which leave the subject of Consumer Credit open to the criticism of the uninformed.

It is quite true that Consumer Credit has been beset by abuses which have led to both social and economic evils. What human function has not? Men have been killed because other men insisted upon eating. But the eating habit has persisted for many generations and will probably continue so long as the human race survives.

Consumer Credit itself breaks into two classifications—Cash Loans and Installment Purchases.

Historic reference to the practice of money-lending goes back to the Code of Hamurabi. Both Greek and Roman philosophers and

legislators dealt with money-lending practices and attempted to control abuses—usually by imposing restrictions on the rate which might be charged to the borrower.

Henry the Eighth took time off from his domestic affairs to deal with the operations of money-lenders, and good Queen Bess, bedevilled as she was by the threats of Philip of Spain, gave heed to the cost of borrowing.

Installment Credit for the purchase of durable goods is a more modern development and deserves some special consideration. Because of the complications caused by combining the normal transaction of a sale of goods (with its attendant profit to the vendor) with the extension of credit to the purchaser or consumer it is best to consider first the problems of Consumer Cash Credit in modern times, and applying the lessons learned in that field to the more involved mathematics of installment credit.

For purposes of convenience and clarity we can now drop the cumbersome phrase Consumer Cash Credit and refer only to "Small Loan", having in mind that we mean by this phrase the loan of small sums of money for comparatively short terms to persons whose tangible wealth is small and who depend on their own earning-ability through personal skills to reach and maintain their desired standard of living.

Such borrowers have no bargaining-power when negotiating with a lender, and it is this which has made the business of small-sum lending particularly vulnerable to social and economic abuses, and led to the present legislative controls of the business. In Canada and the United States, the existing legislation is the most practical and effective that has yet been achieved, because it is based primarily on the need for protection of the borrower, but recognizes at the same time that the lender is performing a service and must recover the cost of that service and earn a profit, or go out of business.

Until the year 1916, no satisfactory legislative control of the small-loans business had been achieved, chiefly because legislation was designed as a prohibition and the legal rates permitted were based upon the rates recognized as fair for large-sum, well secured commercial and industrial loans.

It will be obvious to any student of economics that the *rate* of charge which is adequate for a single well-secured commercial or industrial loan of \$100,000 will be totally inadequate to service one

thousand loans of \$100 each on the security of future income and collect one thousand payments each month.

It is this popular misconception that a *rate* of charge of 6 per cent. or 7 per cent. per annum is adequate and fair for any loan of money, regardless of amount, term, security or service, that has for years prevented the needy borrower from obtaining a cash-credit service in small sums as readily as his more fortunate brother who can provide ample liquid security for large amounts.

As a result of years of study and experiment the Russell Sage Foundation of New York presented a "Model Bill" as a suggested Uniform Small-Loans Law for the United States. This Model Bill has since been redrafted five times and has been the pattern for more than thirty State Laws.

The Bill recognizes, (1) The need for a small-loans service for small-income borrowers. (2) That such a service cannot be given at the percentage rates recognized for large commercial loans. (3) That the borrower has little or no bargaining power and needs the protection of the State against possible exploitation and abuse on the part of unscrupulous lenders. (4) That the permitted maximum charge must be sufficient to allow the efficient lender to recover his costs of operation and earn a fair return on his investment.

The first draft of the Uniform Small-Loans Law fixed the maximum charge for loans of \$300 or less at $3\frac{1}{2}$ per cent. of the amount of the balance outstanding each month. So legitimate capital flowed into the small-loans business and the loan-shark and the extortioner was forced out. Experience led to improved operating methods and increased efficiency and the maximum legal rate has been gradually reduced. The generally accepted maximum is now $2\frac{1}{2}$ per cent. per month on balances outstanding.

In Canada prior to 1928, the only legal source of small-sum loans, other than the chartered banks was through the medium of credit unions, and the "Caisses Populaires" in Quebec. These will be referred to later. In 1928, the Dominion Government granted special charters to three Canadian Small-Loans Companies and placed their operations under the supervision of the Dominion Superintendent of Insurance.

By 1936 sufficient experience had been gained by these companies, and sufficient evidence of loan-shark practices among some of the unregulated lenders, to justify an effort for nation-wide regulation and supervision of this business.

The three Dominion companies, the Superintendent of Insurance and a number of the unlicensed and unsupervised lenders appeared before the Banking and Commerce Committees of both the Senate and the House of Commons to urge an effective and workable Small Loans Law for Canada.

Many witnesses appeared before this committee—bankers, economists, social workers, lawyers, lenders, state provincial and Dominion officers, representatives of credit unions and the *Caisses Populaires*.

In 1939, the Canada Small Loans Act was passed. This became effective law on January 1st, 1940. In effect this act stipulates—

(1) Any lender of sums of \$500 or less who collects total charges in excess of 12 per cent. per annum must be licensed and supervised by the Dominion Superintendent of Insurance.

(2) Such licensees may charge a maximum of 2 per cent. each month on the actual balances outstanding from month to month.

(3) There must be no additional charge of any kind other than the charge allowed in (2).

(4) Offences against the Act are punishable by a fine not exceeding \$5,000 and imprisonment not exceeding two years.

The immediate effect of the Act was to drive out of business a horde of lenders, many of whose operating practices had been unsocial and inhumane.

Many licensed lenders have a very keen sense of their social obligations to their customers and their joint social and economic responsibilities to the community at large.

As operating conditions have warranted such action some of the licensees have voluntarily reduced their charges to 1½ per cent. per month.

Organized credit-unions appeared in Canada in 1909. Alphonse Desjardins started the movement in Levis, Quebec. Most of our provinces now have special legislation regulating their formation and operation. They usually operate in closely-knit groups of common interest, either of employment or residence.

Capital is supplied by the members themselves and the operations are performed by volunteer officers. Overhead and operating expenses are reduced to a minimum and the rate charged for loans made to members from the common fund is usually 1 per cent. per month.

There are many operating difficulties which prevent the credit unions from giving the wide range of service possible to the commercial lenders. One of the chief of these is the difficulty of keeping the capital balanced. Many books could be, and have been, written on the pros and cons of credit unions, but more than thirty years of experience has not yet proved that the movement is capable of supplying the almost universal demand for an adequate small-loan service.

The practice of buying and selling durable goods on the installment plan appeared in America on a commercial scale about the middle of the nineteenth century and was applied chiefly to the sale of pianos and sewing machines to customers in rural areas.

The mass-production of durable goods (notably motor-cars, radios and household equipment), following the first World War exhausted the available market by 1929.

The depression which started in that year led to a very rapid expansion in the use of the installment plan of selling durable goods. The economic theory of stimulating the distribution of goods in a time of industrial depression by extending a credit to the consumers is perfectly sound. It results in continued or even increased employment and a consequent acceleration of the flow of consumer dollars.

But we were over-enthusiastic about the success of this new economic vehicle and kept a foot on the accelerator too long.

We forget the axiom that "Credit Cannot Take the Place of Income. It Can Only Alter the Time when Income is Spent".

By 1938 we had the pathetic spectacle of merchants competing for the consumer's dollar by offering the most extravagant terms—"No Money Down" — "Take Me Home for Fifty Cents" — "Ten Months to Pay" — "Payments Spread Over Twenty Years" — "No Charge for Credit". These were slogans appearing daily to tempt the consumer to spend his future income now.

Goods built to last for years were turned in every few months for newer models because the cost was "only a few dollars a month"—or *a week!*

The natural result was that many wage-earners found themselves so involved in "installment" contracts that they had no income left to buy food, shelter, fuel and clothing. Small-loans companies were flooded

with applications from ever-desperate wage-earners who were trying to fend off repossessions, court-actions and garnishees. Half of these applications had to be refused because new debts would have only "compounded the distress" of the borrower and added another creditor to the already appalling list.

This was the situation when World War Two cut the production of civilian goods and made it necessary to divert the flow of consumers dollars into the channels of war expenditures.

Restrictions were clamped on the use of consumer credit for the installment purchase of goods. The amount of the down-payments was fixed, the length of the credit period restricted and defined and the cost of credit openly stated. Charge accounts and merchants' open accounts were restricted and every effort was made to get the consumer back as close to a cash basis as was reasonably possible.

This enforced return to economic sanity was an unmixed blessing to most merchants—particularly to those who dealt in the essentials of living. There are still some, chiefly in the so-called "luxury" trades, who yearn for a speedy return to the old days when they could urge the public to "Come in. Come in and buy Cleopatra's Needle for fifty cents—and your signature on a contract".

It may be that the time will come when a freer use of Installment Credit will be desirable, but it is certainly to be hoped that we will not plunge again into the mad abuses of the late thirties.

Like any other service, the use of consumer credit demands a price, and it is folly to maintain that it can be given for nothing. The cost of making small loans in cash can be computed with mathematical accuracy, but the costs of installment credit are complicated by the factor of the vendor's profit on the sale of goods.

For example, a merchant may pay his supplier \$14.50 for an article and sell it for cash at \$25.00 and earn a fair profit. By boosting his selling price to \$45.00 he can well afford to offer credit terms "free"—and not be too fussy about slow-paying accounts and bad-debt losses. But the consumer pays a terrific price for his credit, and if the cost of credit is concealed within a fixed selling price for "cash or credit" the cash customer pays for a service he does not receive.

It was this practice which induced the Wartime Prices and Trade Board to place in their Consumer Credit Order the stipulation that all goods must be marked with a cash price and that the charge for

credit must be not less than $\frac{3}{4}$ per cent. of the total credit balance multiplied by the number of months in the credit contract. This is at the rate of approximately 18 per cent. per annum.

It has been the contention of the legal small-loans companies for many years that the cost of credit should be as plainly expressed as the price of a loaf of bread or any other commodity. The consumer is then able to "shop" for his credit and to decide if the use of his credit is worth the price.

The practice of discounting charges in advance, or of adding charges to the original balance has the effect of doubling the apparent rate. The true rate on a loan of \$100 at "6 per cent. discount", or "6 per cent. add-on" is about 11.7 per cent. per annum.

The solution to most of the social and economic abuses of Consumer Credit is within the power of the credit-granters themselves. We have here a powerful machine to be used in maintaining economic stability. Like any other machine it must be wisely used and under control at all times if it is to be of maximum value.

Legislative controls of business are of dubious value except in times of national emergency. The best solution lies in a true understanding of this economic machine on the part of both credit-granters and credit-users, and a determination on the part of both that it shall be wisely used for the common good and not for the selfish gain of any individual or group.

HAVE WE GOT WHAT IT TAKES TO ENSURE A REASONABLE POST-WAR FUTURE

ELMER HOSACK

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THERE are many old sayings which have been used for so long that we forget that conditions have changed, and these old sayings taken in the literal sense are now only half truths. Three of these sayings require analysis and educational propaganda, if they are to be used in the future.

A Man's Future is What He Makes It

In the horse and buggy days a man was an individualist and his future depended to a great extent upon his individual thinking and initiative. It was necessary for him to analyze and understand local, national and international conditions in order to be prepared to take advantage of every opportunity for his individual good. Educational advantages were comparatively few, and most men realized that to succeed was entirely up to the individual. Because of the mode of travel and the lack of purchaseable entertainment, there was plenty of time for everybody to use his God-given intelligence. He had time to think, and he realized that no one else could do his thinking for him. As an individualist, the man of that day made a good job of it, and we have progressed to the point where a new saying is stressed.

In Union is Strength

In this era we see great change. The automobile replaces the horse and buggy. The telephone becomes a common instrument of communication. Radio and the aeroplane shrink a once large world. This is the era of mass production and mass unionization. Public opinion is moulded by large newspapers and radio broadcasts. The theatres and other agencies of entertainment provide amusement without the necessity for thought, but also take up the time formerly used in thought. Since people take less time for thought public opinion is more easily moulded, and the moulding is done by the few who wish to take advantage of the situation. Individualism is gone, being swallowed up by the mass moulding of public opinion. The newspapers still lean on their proverbial freedom of the press, which was granted originally so that a free people should know the truth. Have you asked yourself

the following questions? "Are the newspapers moulding public opinion by the truth, or by propaganda and sensationalism, which will increase circulation and boost advertising rates? Is mass unionization being carried out for the good of labour, or are racketeers taking advantage of a non-thinking public? Are politicians governing the country for the good of the country, or for the good of a party or group of individuals?"

The weakness of a democracy is that numbers and not intelligence may hold control. There are exceptions to all rules but human nature is still a dominant factor. My observation is that less than $\frac{1}{10}$ of 1 per cent. of our thinking population think of others before themselves. Ninety per cent. while thinking of themselves first, would prefer to have everyone prosper even though their own prosperity might be slightly affected. The balance of about 10 per cent. are entirely selfish and have no feeling for the rest of the world. So long as they can succeed they are quite willing to sacrifice the happiness of others. The danger in our present situation is that this last 10 per cent. are very aggressive, and they realize that this is the era when things are accomplished by mass sociology. They realize that the masses are not thinking individually. They also realize that 90 per cent. of the thinking public is not aroused to the danger, and they are taking full advantage of the situation. This will eventually be corrected, but unless more people are aroused in time, we are quite likely to pass through some very unhappy times which could be averted.

I hope that I am wrong but it appears to me that the world today is in much the same position as the mathematician who has gone so far into higher mathematics that he has forgotten his simple arithmetic. It is just as necessary today that the individual think and act upon his thoughts as it is for the mathematician to remember that two and two make four.

The World Owes Every Man a Living

This is another half truth but one which is being taken altogether too literally by the great mass of the non-thinking public. The world owes you nothing unless you have contributed to a like extent. The slogan is very fashionable among the non-contributors and with an apathetic thinking public it may easily cause a very dangerous situation.

If we have what it takes there is no need to fear the future. The question is, do we know what it takes? I submit the following as what I believe it will take:

An educational system which will stress in our high schools and universities the fact that in a democracy the knowledge of an individual is lost unless he has the ability and is willing to give the time to impart that knowledge to the masses. In order to do this he must gain their confidence. The practical way of doing this is by becoming interested and taking his part in public life. These young men are badly needed to take an active part in Chambers of Commerce, municipal councils, Public Utility Boards, Hospital and Public School Boards. These young people must be taught that University and High School training is only a basis from which to start. What they accomplish after graduation will depend upon how much thought they put into their work and how much of their theory they can apply.

The opportunity is tremendous and the basic facts are readily available in statistical form to cover almost any field. Human nature will remain human nature for many years to come. If these educated, thinking, young people will get the statistics, which are too dry and uninteresting for the masses to bother with, and will break them down into cause and effect and present them in an intelligent and interesting way, they will accomplish a tremendous amount of good. As an example: Statistics have appeared in many periodicals regarding the tremendous potential markets for furnaces, toilet facilities, etc., in the farm homes of the country. So far as it goes it is a true statement. Economically, however, that potential market is very likely to go unsatisfied because the average farmer earning an average of 30 cents per hour, for 12 hours per day, is not likely to be able to afford the merchandise produced by a factory worker at \$1.00 an hour, for eight hours per day. After all, economics are simply the application of plain common sense to known facts. I would suggest, therefore, that the High School curriculum stress the debating of every day facts and insist that all students take part, merely listening to the debate is not enough. The non-thinking masses will listen, but it is necessary to think if you take part. This would create a habit of thinking out all angles, and would be of inestimable value whether or not the student went on to university.

Another very important thing is that every graduate should be encouraged to become interested in politics. I do not mean by this that they should run for office. The office holder, personally, is working for public opinion. These young graduates should be the thinking public of the future, but, unless they express their thoughts freely, they will not

be a factor in moulding the mass of public opinion, which puts our various candidates into office.

It is only necessary to check the election return for the thinking public to realize that the masses are throwing away their birthright. In the day of individualism each man realized the importance of his vote, but this has changed with the times. The non-thinking mass of people do not vote unless they are paid for the time it takes to cast their ballot. The only way to correct this condition is for the thinking public to give more of their time to the education of the masses. It is a thankless job, but, unless it is done we have only ourselves to blame for the chaotic condition for which we are headed. The very fact of the young graduates taking an active part in this public service will wake up the thinkers of more advanced years to a sense of their responsibility. At present they have a feeling of futility because the younger generation have been inclined to drift with the tide instead of shouldering their responsibilities.

We have what it takes and good evidence of this is the voluntary enlistment in this war. There are many here at home, however, who may not be physically fit to bear arms in defence of their country. Many of these young men are capable thinkers, but there are too few who have taken the trouble to try to mould the course of the great non-thinking public. It is a shameful let-down for the men who are offering their lives for the defense of their country. No blame can be attached to those who are incapable, but there are enough capable thinkers of military age to keep us on the right path, so that those who have made the supreme sacrifice shall not have done so in vain.

My own opinion is that we have what it takes but the question is, will we use what we have, so that we may win the peace and ensure a reasonable post-war future.

Recently I ran across a little poem which illustrates what I have tried to convey. The title is "The Two Essentials" and it was written by Strickland Gillilian.

Vision is not everything. Brown has vision—
Brown's a dud.
He can see
What ought to be,
Yet he has no fighting blood!

Will alone is insufficient, Smith has will, And Smith's a fizzle,
Wrong or right
He loves a fight—
Likes to see things seethe and sizzle.
Jones, a friend of Smith and Brown,
Living in the selfsame town,
Has a will and has a vision—
Can both see and make decision.
Jones has set the winning pace—
Has outstripped them in life's race.
If an honoured niche you'd fill,
Back your Vision with your will.

PUBLIC RELATIONS IN A POST-WAR ECONOMY

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THE pattern of a wartime economy is, of necessity, a temporary plan of economics. It is true that the business of a nation at war must continue but the plan of its action is abnormal. The exigencies of war, by drastically reducing competition, minimize the importance of public relations programmes, but when peace returns, competition in Canadian business will, in all likelihood, be greater than ever before. Public relations will have a new place and a new importance in our revised economy. It will be a task for the professional, line-perfect and skilled in every art of his craft.

For the public relations expert as well as all others intent upon improvement it is only commonsense to study the past before planning the future. Public opinion polls and surveys these days report social and economic dissatisfaction—dissatisfaction with the future based on experience with the past. We must recognize that the great majority of people have a yearning, in most cases inarticulate, for something better than the past has been able to provide. It is good business and good public relations to recognize and solve problems before their solutions are demanded of us.

There is a part of our economy, namely, the high cost of distribution and selling, which, generally speaking, has escaped the criticisms directed against the high cost of consumer goods. Under the pressure of war, production techniques and methods have progressed perhaps twenty to twenty-five years in terms of pre-war years. Unless there is a similar reorganization and improvement in the distributive system, serious trouble will be encountered.

Manufacturing has received the major share of the blame for high prices, while the distributive system has not been investigated sufficiently to determine its share of consumer final costs. Yet, in many cases, the producer manufacturer's sale price of both durable and non-durable consumer goods is approximately thirty-five per cent of the price paid by the housewife or other buyer. The remainder represents the cost of distribution and selling. Despite this discrepancy, officials of the W.P.T.B. who were charged with the responsibility for reducing

costs found that while it was comparatively easy to persuade manufacturers to adopt cost-reducing methods, it was another matter entirely to do anything about the complicated and unwieldy distributive system.

Organized labour, already interested in the problem, inevitably will ask the reason why so much is expended on distribution. It will want some of this money to be spent on higher wages, shorter hours or some other benefit for the man who actually produces the goods. The farmer, the Westerner and the Maritimer have long complained of these costs.

This is a national problem. We may try to reach a solution by a political route or we may try to reach it by an economic route. Politics may be able to offer a panacea for all our troubles but a panacea is usually a method which works on paper and goes strangely sour in actual practice. A much better approach is co-operative commonsense by business. By business is meant not merely the executive who pushes buttons and dictates inter-office memoranda. It must mean action in unison by every group which has a stake in business—owners, management, sales force, workers.

In the news at the moment is a fine illustration of the exact problem and the exact way in which it affects us—that is low-cost housing. Satisfactory low-cost housing is one of the things which will be demanded and must be supplied in the post-war period.

The political approach to this problem is a national housing scheme supported by subsidies so that the worker may be able to afford decent living conditions. Arguing that subsidies do not grow on trees or that the worker will pay the extra cost in the long-run, out of taxes reflected in increased food, clothing and service prices, won't change political attitudes, opinions or outlooks.

But a sound contention, from a business approach, is that the Canadian workman should be able to provide himself with a pleasant and comfortable home by his own efforts, with his own money, and without either government interference or relief. The Canadian worker is, at the moment, not convinced that our system, as it operated before the war, can provide the home he wants at the price he can afford to pay.

These are the two radically different ways in which this demand might be met. Years ago, we established the belief that this was a country to which a man could come, either by accident of birth or by Canadian Pacific Steamship, and, by diligent effort, earn more economic

security and comfort than he could in most other countries. Now we are being "called" on this creed. We must either be prepared to make good or dispense with it.

In other words, either the productive and distributive machinery of this country must, of its own volition, work out a way to fill this essential want or some other way of doing so will certainly be tried. Almost any other method will bring our work, our methods and our jobs increasingly under fire. The government, under pressure of public opinion, might tackle the problem of overhauling our system of distribution.

It is not difficult to forecast what a dreadful mess would result if any central body tried to do that overhaul job unaided. Businessmen throughout the country were consulted before our wartime regulations were drafted because it was recognized that there is no substitute for the inside knowledge of the details and ramifications involved in businesses and inter-related groups of businesses. No one sees the dangers the risks involved in centralized control more clearly than the men who effected and administered our major wartime measures. That is why those who know and understand distribution, distribution costs and distribution methods first-hand should give some thought to this problem before someone else, much less well-equipped to handle the matter, begins to experiment.

There are practical examples of how this problem can be solved. Consider the most perishable commodity processed, distributed and sold to the consumer. Involved in its distribution are numerous uncontrollable factors, overnight changes in demand, and severe competition. This is the daily newspaper.

Using ink, zinc, news and newsprint as raw materials, the producing organization has developed a highly-efficient, high-speed manufacturing method. There are newspaper presses in this country which regularly operate at speeds approximating 300 miles per hour; in other words, as pieces of machinery, they rank with fighter planes. There may be a time lag of minutes only between the delivery of essential raw material—in this case, news—to the manufacturing plant and the shipment of the finished product. The minute the product goes on sale, its value starts to depreciate. In an hour or two hours, a large part of the potential market is gone. Each 24-hour period, a new product must be produced and any unmarketed portion of the previous day's output is a total loss.

Yet, using standard accounting methods, distribution costs in this field run 15 per cent. or less—that is, all costs involved in handling distribution, including general overhead of the departments concerned, take 15 per cent. of the revenues produced by advertising and circulation. The consumer imposes severe restrictions. In advertising, space must be available to the man who wishes to use a classified ad to sell his pet canary, at a price which he can afford, as well as to the national advertiser who must do millions in turnover and depends on this to move goods in great volume. In circulation, the buyer will pay 3 cents or five cents for the product delivered, no more, and makes extremely exacting demands insofar as quality is concerned. The demand is erratic but loss on unsold products seldom reaches 1 per cent., usually runs around .7 to .8 per cent.

What are some of the possible revisions in the present general programmes of distribution and selling? First, we should eliminate variety for variety's sake. This is non-functional stylization to produce false obsolescence. It is waste. The production engineer's desire for simplification should be supported. Whatever makes us believe that the workingman wants 100 types of bathtubs to bathe in, or 57 varieties of toilet seats? Whence came the impression that the workingman's wife wants to choose from infinite varieties of brushes and pots and pans and stoves? Surprisingly enough, investigations have shown that American manufacturers were producing fewer varieties of goods of the same nature than their Canadian counterparts. It is certainly true that variety is necessary to take care of individual tastes. The milliner and the dressmaker will always have to create new styles and fashions but the ease with which manufacturers in the early years of the war were able to reduce lines anywhere from 25 to 90 per cent. indicates an appalling number of waste dollars involved in this variety for variety's sake principle. Sales promotion has been responsible for some of this waste.

Secondly, there should be better-trained salesmen, handling a higher volume per salesman. There should be no place in our sales plans for the principle that if we throw enough mud against a wall some of it must stick. Many companies have nursed this theory ardently. Some companies seem to be under the impression that there is no need for trained salesmen so long as they have a small army of men selling on commission. It creates high pressure selling with its attendant evils. Generally speaking, where our representatives have responsibilities for our reputation and for service to our customers,

straight commission selling is not very satisfactory. Surely one well-trained salesman, his security partially established by basic salary, will sell at least as much as three or four untrained men. Commission selling also means high selling costs at large volume.

Bad debts constituted an important debit item which had to be included in setting final prices. As a third recommendation it is suggested that a study of savings resulting from the current consumer credit regulations may bring to your attention the need for a major revision of old selling terms and conditions.

And fourthly, there is a definite and important place for an increased use of market surveys, the techniques of which have been steadily improved over the past few years. There is the classic case of the underwear manufacturer who, annoyed because Canadian homes were warmer than those in his own country, felt that we should change our habits and freeze so that he could sell his grade of heavy underwear. It is possible that many a line dreamed up within the confines of the advertising and sales managers' offices and produced at considerable expense failed to sell because of lack of understanding of the consumer market. A proper survey at a fraction of the cost of production and the selling effort used would have given a flat "no" to many suggestions and saved a lot of money.

It is true that the consumer must bear a portion of the blame; he demands extraordinary service. For example, delivery of milk to the back door instead of the front adds appreciably to the cost; the delivery of a package of cigarettes by a boy on a bicycle was an absurdity but nevertheless widely practised. Wartime restrictions on special services and deliveries are making a great difference in costs. But remember this, the initiative for change rests with business. A necessary public relations job is to prove to the consumer that these special and expensive services are against his own interests in that they make for higher prices.

It is seldom that direct advertising expenses run over 5 per cent. of the final selling price and the figure is lower for durable consumer goods. The public generally believe it to be much greater. Here business has a little public relations problem to solve. Business should make these facts known.

As a selling technique public relations is, at once, the cheapest and the most difficult. Public relations is a new name for an old philosophy. Moses knew its rules and led a frightened, bewildered

people to the Promised Land. Hitler knew the rules and led an arrogant outfit to destruction. We had the story of Democracy, which is the real one, and the Nazis had a phoney but they gave us a terrific beating for years. More recently public relations has become a profession. Like all new professions, especially those dealing with the intangibles, it attracts many who have no proper qualifications for its practice. In fact, these quacks in a new craft are becoming so numerous that the profession itself is in imminent danger of getting a black eye.

Many of us are, and all of us should be, keenly interested in public relations work. Its fundamentals are simple. Its practice is difficult. If successfully applied it can cut selling costs enormously. One wonders how much money was spent during their lifetimes by Christ or Confucius. One does know how much time, effort and thought they expended.

Public relations has nothing to do with magic, either white or black. For some reason or another, many businessmen feel that stunts and trick publicity of one kind or another can do the whole thing. Tricks are dangerous. They may backfire. It is an excellent thing to remember always the old saying: "He who breaks faith will be broken by distrust."

While essentially good public relations requires the long-term planning and thinking type of approach (and this long-range plan must be set down first) there are many unforeseeable difficulties and problems arising from time to time. These require instant action. Unfortunately, the type of mind which can plan and carry out the long term programme is not always the type of mind to handle the sudden crisis. As a result it is good practice for any company interested in developing its public relations to set down its main plan and then look for someone peculiarly qualified and experienced enough to advise them on how to get off the occasional spot.

There is an old nursery doggerel which reads:

"I once had a dog and he got lost. I didn't know where to find him so I thought where I'd go if I were a dog and I went there and found him."

If a person is interested in public relations, it's not a bad idea to go where good public relations are. It is not necessary to go outside of this country to find companies with good programmes. Most of these companies would be only too glad to discuss their plans and programmes with others. They know the greater the spread of good

public relations, the better it is for themselves, for business and for the nation. In these companies one invariably finds the same principles, even though applied by different methods. Further, the heart of the planning and the work lies with top management. There is absolutely no use appointing a public relations counsel and leaving it to him and a junior executive to work it out. Direction and drive must come from top management.

The fundamentals of good public relations are almost identical with those employed by the man who has many staunch friends, although corporate public relations must of course achieve its objectives without the advantage of the personal attraction given to man by nature—attractions which may cover a multitude of sins. On the other hand, the company has advantages over an individual in that it can approach the problem of influencing the public in a scientific way. It has access to technical advice and the experience of others, a type of approach which an individual would be well advised to avoid.

Good public relations is the sum total of an infinite number of contacts, each contact creating a sympathetic and favourable feeling toward the company concerned. Obviously, therefore, it is also the sum total of the personal contacts of each individual employee from Joe, the office boy, to J. G., the President. It means confidence and trust. It is the personal column on the financial page.

In creating a public relations programme, the first step is an examination of relationship between the company and its employees. This is the cornerstone. Without it the structure will collapse. Without good relations within the company, no programme will have more than puny and short-lived success. An enormous amount of work is involved, but the development of good employer-employee relations is the beginning and only one part of the job.

The next step is the analysis, in as great detail as possible, of all contacts between every individual in the business with outsiders. This includes a study of the handling of callers, no matter what their business or what or who they are. Business might well remember the adage: "The great river does not reject the small streams." To educate everyone in an organization to an effective appreciation of this is a fulltime job in itself.

Next, carefully review the policies of the company. What do suppliers think of them? What do its customers? What does the public? These surveys will reveal the effects of the policies. For example:

would the purchasing department consider its job well done if it can force a supplier to sell below cost? During the depression this policy created an infinite amount of bad will, costing many times the savings, against those companies who practised it. Underlying all good public relations is a "live and let live" philosophy. A good rule is that every supplier of goods or services should find his contact with the company profitable.

A great deal of buying is done on an emotional basis. If the public or the purchasing agent likes the company or the salesman, they will often buy more readily. Everyone has done things for a friend, not because he has been asked, but because he wanted to. Friends sell themselves to us at no monetary cost.

The public relations programme must be an integral part of the company's continuing policies. A favourable public cannot be created overnight. It is the momentum of a large number of continuing favourable reactions which creates the desired result. This is as true of business as of marriage. For instance, it's liable to be not only a waste of money but a boomerang if a husband comes home with flowers as the one token of affection in twelve months. The wife will only wonder what he's been up to and, even if she doesn't say so, he shouldn't fool himself that she isn't thinking it. In other words, he shouldn't think that, even if the public is, in a manner of speaking, married to him, the setup is a reasonable facsimile of paradise.

He must earn his wife's affection or she may some day, to his utter surprise, divorce him and marry the state. He may say to himself in self-pity that he never beat her and all these years he had fed her but both the public and wives want more than that.

Not only is it advisable, in the best interests of good public relations, for a business to be interested in the social welfare problems of the community in which it does its work and in which its employees live. It is more than advisable. It is important that all members of the company, from the president down, take an interest and an action in aiding social welfare programmes and it must be sincere and not faked. Each has a definite responsibility to enter into the social welfare work of the community, not only as good citizens but as representatives of a business vitally concerned with the creation and maintenance of good will and confidence.

Good public relations are not only profitable from the dollar and cents point of view; they are also insurance against trouble. There

are few companies or people who don't get into trouble some time or another and it's only the old friends who will come to our assistance. "Make your friends before you need them." We can't get fire insurance after the fire has started, although a lot of people are scurrying around today trying to do just that.

Some managements may expect quick results from a public relations programme and become impatient if these do not accrue within a few months. In such cases, management must be sold before the programme starts that it is essentially similar to the gestation period of an elephant.

If there are any doubts that public relations is not necessary and worthwhile, consider the use of programmes made by political machines. The time spent on a study of Tammany's methods would be well spent. The ward boss looks after the families in his district. If little Mary Jones needs an operation, he sees that she gets good medical care, usually free. If Bill Smith has no fuel in his house, a ton of coal appears with the compliments of the party. There are frequent meetings and discussions held in a congenial atmosphere. Further, the ward boss does not wait until the week before election to do these things. He does them year in and year out.

One warning to those interested in public relations as a profession. We should never use our facilities and skill to assist in or further "smear" campaigns; such work is destructive and dishonest. Good public relations is always constructive and sincere.

Good public relations within Canada is only part of the picture. There is our export trade to consider. By our wartime success in checking inflation in this country we have provided ourselves with a peacetime competitive advantage. Let us not toss this advantage away either by relaxing our efforts to defeat inflation or by failing to realize that social betterment at home may depend on Canada's trade abroad. The public, for instance, takes for granted that Canada will always have the world market in nickel. The nickel industry does not. Recently, Mr. Robert C. Stanley, President of International Nickel, stated in Toronto "*If Canada's nickel industry is to regain the world markets which it once enjoyed . . .*" If our position in nickel is uncertain, what about our other products? How is the public to be awakened to the necessity of getting and holding a greater foreign trade? How shall they be brought to realize its significance? How shall they know its effect on them and how their actions will affect it?

A function of public relations is the dissemination of information. Business with the co-operation of government can do this job.

One of the great possibilities of widespread and effective public relations work will be the gradual reduction in mutual suspicion and distrust unfortunately so apparent today between the various groups in this country and between countries. There is the great chance granted to individual initiative to retain the present economic and social systems. In a Socialistic system the necessity for public relations will be much less apparent and, therefore, given much less attention by those in positions to undertake it. If public relations has the great potential for good that many believe it has, it can reach its full bloom only under the stimulus of competition because it will be generally recognized that it is profitable. It will most certainly wither in the sterile soil of a non-competitive state.

TRAFFIC COUNT—CITY OF LONDON, 1945

IN 1940, the Department of Business Administration, University of Western Ontario, made a traffic study of the City of London, which revealed many interesting facts in regard to the flow of both pedestrian and vehicular traffic in the business sections of the city.

Again this year, 1945, a similar count has been carried out, using the same method, which is outlined below, as well as the same counting stations. In addition, several new locations in outlying business sections which have grown to some importance during the past five years have been studied. These studies make possible an interesting comparison of traffic movements and reveal definite trends to be considered by the alert business man both in regard to establishing a new location or maintaining his present one.

Importance of Traffic Studies

The movements of traffic, both pedestrian and vehicular have come to be important considerations in locating business sections, deciding on merchandising policies and the setting of land values.

Improved transportation systems facilitate the movement of prospective customers and more people visit the various business districts regularly. It has been stated by the Traffic Audit Bureau that at least 80 per cent. of the people leave their homes every day for economic or pleasure reasons. The result is apparent; merchants have gone to great ends to cater to this traffic which daily passes by their doors.

Many ingenious methods are used to attract the pedestrian's and and the motorist's attention. Attractively displayed store windows and expensive store fronts have been erected as a means of gaining favour with the public. The merchant, real estate owner, theatre manager, service station operator, are all interested in the volume of traffic which passes their place of business.

In order to provide this highly relevant information a short-count method, introduced by the Traffic Audit Bureau, is widely used for calculating the movement of traffic over the 12-hour and 18-hour periods.

SHORT-COUNT METHOD

The Bureau has worked out what is termed a "factor", a figure used to multiply the hour count, i.e. the number of pedestrians or vehicles passing in one hour, in order to arrive at the circulation for a 12-hour and 18-hour period. This factor has been used for all cities in both Canada and the United States. By taking an actual half-hour count in the morning and in the afternoon and multiplying the total by the factor for either the 12-hour or 18-hour period, the gross circulation so figured has been relatively accurate. At the worst, it is about 5 per cent. on the conservative side. There are, however, certain conditions under which the half-hour count should be taken:

Rules:

1. A traffic counting station should be located:
 - (a) Where each important street enters the business district.
 - (b) At each point where each important street approaches an intersection with another important street.
 - (c) In the central business district one counting station should be located in the middle of each block.
2. The spring and autumn months are the best times for gathering traffic facts, as the figures require a minimum of adjustment for seasonal fluctuation.
3. The work of collecting traffic facts should be limited to the normal week days of Monday to Friday inclusive. During these days the volume of traffic shows a negligible variation.
4. The work of collecting traffic facts at counting stations should not be conducted on any day or period of unusual weather or traffic conditions.
5. Traffic counting should not be conducted during any time when a street is carrying an unusual load of traffic due to street repairs, street closing or detours. Such a period would not give an accurate, normal figure of the traffic volume regularly carried by the street.
6. At each counting station, motor vehicle and pedestrian traffic should be counted for one full thirty-minute period between the hours of 9:00 a.m. and 12:00 noon, and again for one full thirty-minute period between the hours of 1:00 p.m. and 4:00 p.m. Long investigation has shown that these hours give a reliable index of the total automobile and pedestrian traffic passing a location.

Each count must be for an exact thirty-minute period, but need

not begin on the hour or half-hour. Rather, it may start on any minute and run for thirty consecutive minutes. The morning and afternoon counting periods are limited to the hours indicated to avoid the irregularities in traffic occasioned by the morning peak before 9:00 a.m., the special activities during the noon hour, and the peak of the late afternoon.

7. At each counting station the observer should record separately all the motor vehicles and all the pedestrians passing his counting station travelling in both directions and on both sides of the street. The observer will be assisted in his work if he will pick out a fixed object directly across the street from the position which he has taken and enumerate the pedestrians and vehicles as they pass his line of vision.

In making this particular study, the counting stations in the business district were located in the middle of the blocks. A tally was taken at each counting station of the people and cars that went by. Four separate counts were made showing the amount of each kind of traffic on each side of the street. The count at any one station was recorded on a tally sheet, Form A. This was totalled and transferred to a Traffic Record, Form B.

It will be noted that the morning count is separated from the afternoon count. Under the heading "Vehicular", motor vehicles (cars and trucks) and not the passengers in them are recorded. Street cars, busses and other forms of mass transportation are not included.

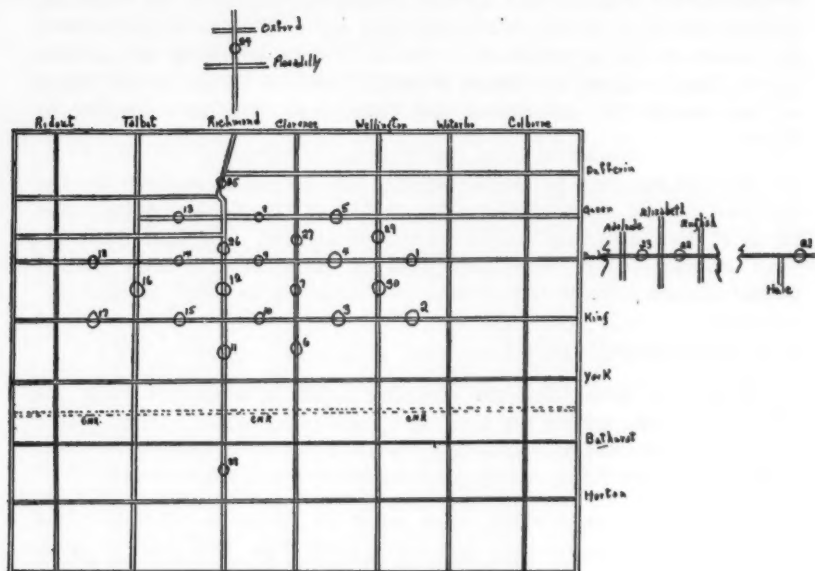
In counting pedestrians, care must be taken to exclude those people who are passing back and forth, once they have been counted. Also mass movements of people coming out of buildings which are unusual for the traffic at that point should be excluded as their concentration within a brief period of time tends to distort the accuracy of the computed totals based on the thirty-minute observations. Any unusual mass movements, such as funeral processions or parades should be excluded from the count of vehicular traffic.

8. The number of vehicles and pedestrians recorded at each counting station for both the morning and afternoon count are totalled separately on the tally sheet and entered in the appropriate spaces in the traffic record.

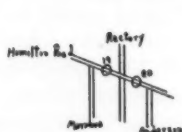
9. For each counting station the twelve-hour gross circulation of motor vehicles is computed by adding together the number of vehicles

during the half-hour morning count and the number of vehicles counted during the afternoon count, and multiplying this total by the factor, 10.8. The resulting figure is the total twelve-hour (6:00 a.m. to 6:00 p.m.) circulation of vehicles. By using a factor of 15.4 an 18-hour circulation is obtained.

The twelve-hour gross circulation of pedestrian traffic is computed by adding together the number of pedestrians counted during the half-



Counting
Stations



hour morning count and the number counted during the half-hour afternoon count and by multiplying this total by the factor 8. For the eighteen-hour gross circulation of pedestrians, the process is simpler except that the factor is 11.

10. The total vehicular and passenger traffic is computed on the Traffic Record for each counting station is then entered on the Sum-

mary of Traffic Count, Form C. I doing so, the circulation for pedestrians was listed separately from that for vehicles.

Traffic Count—London

In making the traffic count for London for 1945 a map was first made of the business district and the positions of each counting station marked with an "O" and number. See Exhibit I. Finally, from the summary of the facts on Form C, separate "flow" maps were made for the pedestrian circulation for the 18-hour period. See Exhibit II and III.

Several outlying shopping districts, such as those on Hamilton Road between Marmora and Anderson and on Richmond between Oxford and Piccadilly, and on Dundas between Adelaide and English, which were not included in the study of 1940, have been included this time. In the past five years these three districts have become popular with shoppers because of war-time transportation difficulties. Whether these areas will still be important after the war remains to be seen.

It is apparent that, on the whole, both pedestrian and vehicular traffic have decreased during the period 1940 to 1945. The vehicular circulation has decreased at every station except three while the pedestrian volume on the whole has decreased but not in the same way. At approximately one-half the stations there has been an increase, but in total there is a decrease. Obviously war-time conditions have made their mark on this tabulation. The shortage of tires and gasoline is probably the chief cause for the curtailment of automobile movements. Vehicles are making fewer trips to the business district; workmen are riding buses to their jobs and housewives are using similar means of doing their downtown shopping. Rather than driving their own cars, people are "doubling up" and forming car pools. The fact that certain consumer goods are in short supply has also had its effect on the volume of traffic.

Pedestrian volume along Richmond street has had a slight increase; there has also been an increase along the south side of Dundas street. This indicates that people are staying on the "highroads", the main business arteries where the largest number of stores are located. It would have been interesting to have comparative figures for stations 22 and 23 (Dundas between Adelaide and English and again at Hale). The changes caused by increased industrial activity (Central Aircraft, Kellogg's Ltd., Somerville Ltd., and McCormicks) would no doubt be toward the "plus" side of the column. In the outlying districts that have been included in this survey, a number of new businesses have

been started. Their success over the next ten years will be a gauge of the stability of the present volume of traffic.

Although the counts were taken over a 5-week period, weather variations have not distorted the picture to any degree, and should present an accurate picture of the traffic volume for the period.

John Doe

Name.....

FORM A

TALLY SHEET

Counting Station—No. 2. On King between Waterloo and Wellington.
Date—March, 1945.

Hour	North Side		South Side	
	Pedestrian	Vehicular	Pedestrian	Vehicular
A.M.				
9.05 to 9.35	12	15	15	15
Total				
P.M.				
1.15 to 1.45	38	41	21	39
Total	50 —	56 —	36 —	54 —

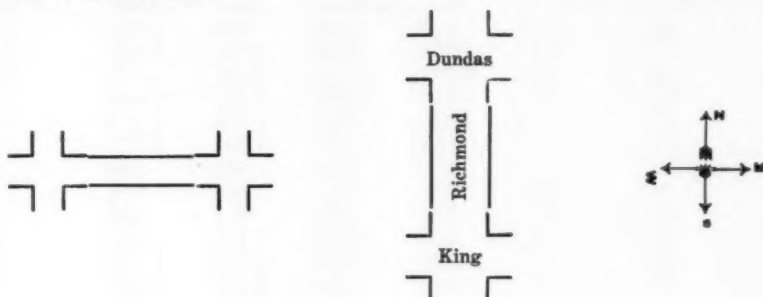
Form B

TRAFFIC RECORD

City — London

Station: Richmond between King and Dundas.

Date — March, 1945.



PEDESTRIAN CIRCULATION

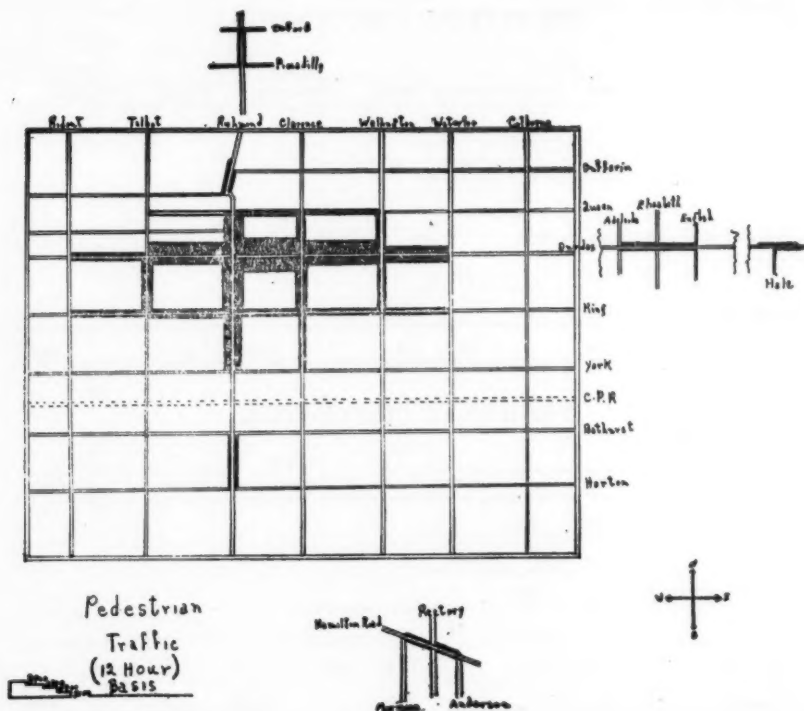
Time of Count	Position	No. of Pedestrians	Factor	12-Hour		18-Hour	
				Circulation	Factor	Circulation	
9:05 - 9:35	E. Side	156					
	W. Side	122					
1:15 - 1:45	E. Side	268					
	W. Side	276					
Sum of	E. Side	424	8	3392	11	4664	
Counts	W. Side	398	8	3184	11	4378	

VEHICULAR CIRCULATION

Time of Count	Position	No. of Vehicles	Factor	12-Hour		18-Hour	
				Circulation	Factor	Circulation	
9:05 - 9:35	E. Side	48					
	W. Side	65					
1:15 - 1:45	E. Side	77					
	W. Side	76					
Sum of	E. Side	125	10.8	1350	15.4	1925	
Counts	W. Side	141	10.8	1622	15.4	2171	

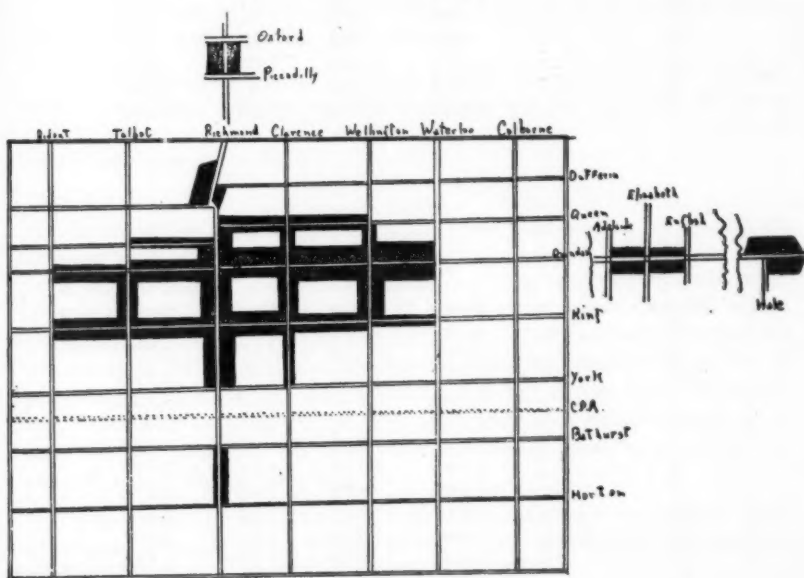
FORM C
PEDESTRIANS

Station	12-Hour		18-Hour	
	East	West	East	West
25	600	1,280	825	1,760
7	1,272	1,616	1,749	2,232
12	3,392	3,184	4,664	4,378
26	3,816	2,872	5,247	3,949
27	1,040	800	1,430	1,100
11	2,608	2,440	3,586	3,355
24	600	524	825	748
6	400	512	550	704
30	648	608	891	836
29	805	1,376	1,243	1,892
28	1,464	1,056	2,013	1,452
16	1,680	1,424	2,310	1,958

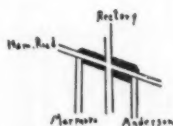
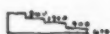


FORM C
VEHICLES

Station	12-Hour		18-Hour	
	East	West	East	West
25	1,220	2,710	1,740	3,865
7	1,134	1,220	1,617	1,740
12	1,350	1,622	1,925	2,171
27	928	972	1,324	1,386
1	1,965	1,285	2,802	1,832
24	1,479	2,570	2,107	3,665
6	864	669	1,232	954
30	1,819	1,620	2,571	2,310
29	915	906	1,355	1,263
28	1,134	421	1,617	601
16	1,177	1,523	1,679	2,171



Vehicular
Traffic
(12 Hour Basis)



FORM C

PEDESTRIANS

Station	12-Hour		18-Hour	
	North	South	North	South
10	968	896	1,331	1,232
1	2,576	2,040	3,542	2,805
15	1,480	1,768	2,035	2,431
4	6,648	3,968	9,141	5,456
23	1,688	344	2,321	473
2	400	288	550	396
3	328	280	451	385
5	400	600	550	825
18	1,424	704	1,958	968
17	880	712	1,210	979
19	296	40	407	55
20	456	240	627	330
22	1,804	200	1,793	275
21	296	128	407	176
13	416	424	572	583
14	5,696	2,808	7,832	3,861
8	344	800	473	1,100
9	8,408	7,424	11,561	10,208

FORM C

VEHICLES

Station	12-Hour		18-Hour	
	North	South	North	South
15	1,436	1,592	2,048	2,379
1	2,948	2,214	4,004	3,157
10	2,030	1,938	2,895	2,479
4	2,440	2,030	3,480	2,895
23	1,998	2,030	2,849	2,895
2	604	583	862	831
3	1,155	1,101	1,647	1,570
5	1,166	972	1,663	1,386
18	1,166	1,533	1,663	2,186
17	1,080	1,123	1,540	1,601
19	1,004	810	1,432	1,155
20	1,425	1,490	2,032	2,140
22	1,793	1,976	2,556	2,818
21	2,160	2,095	3,080	2,988
13	713	529	1,016	755
14	1,717	1,944	2,448	2,772
8	1,210	832	1,725	1,186
9	2,203	1,166	3,142	1,663

BASIS OF SALES OF RETAIL BUSINESS IN LONDON, ONTARIO

DOUGLAS AITKIN

AS the present conflict draws towards a close, many people are turning their thoughts to the post-war era. Some of these persons undoubtedly cherish hopes of going into business for themselves, either by starting up a business from scratch or by buying out established concerns which may be for sale. This study has been carried out with the end in view of assisting such individuals to determine beforehand, in a general sort of way, the current practices in various types of businesses, with respect to those factors which bulk large in any transfers of ownership.

In the compilation of this information interviews were secured with thirty retail store operators representing twenty-three types of retail businesses in London, Ontario, and the following analysis is based on these interviews:

Real Estate:

In those instances where the real estate connected with a business is being sold, along with the stock and fixtures, the general tendency is to pay more than the assessed value for such real estate. Naturally, if it were possible to secure the real estate at or below assessed value, an individual would be most wise to do so. One estimate supplied by the manager of a paint and wallpaper store was that a figure of 10 per cent. above or below the assessed valuation of the property would be a reasonable amount to pay. The proprietor of a bakeshop estimated that the real estate in his field quite commonly changed hands at an amount less than the assessed value.

The majority of retailers who were interviewed leased their premises. Among those which owned were: hardware, tobacconist, photographer, meat market, and music store.

Leaseholds:

The greater majority of business premises in the downtown metropolitan district of London, Ontario, are leased to the retailers occupying them. The most common practice, when a business situated

on leased premises is sold, is for the purchaser to merely assume the lease and carry it on in the usual manner. However, in certain sections of the downtown business district, chiefly on Dundas street between Talbot and Wellington streets and on Richmond between Dundas and King streets, it is quite a common practice for leases which have not lapsed to be capitalized on the basis of the length of time until expiration and sold for a certain price to the purchaser of a business. This feature of capitalization of leases for a certain value is closely related to the location of the retail outlet with reference to traffic volume, and the importance of transient trade. In other business areas in London which are not so dependent on the transient trade for the bulk of retail sales, the newcomer will merely assume the lease upon buying the stock and fixtures of the going concern. At the present time, Order 315 of the Wartime Prices and Trade Board prohibits any business leases from being capitalized and sold at a profit.

Inventories:

In eleven of the twenty-three various types of businesses covered by this survey, investigation disclosed that the common tendency in event of sale would be to value all good and fresh stock at the cost or invoice price of the merchandise to the retailer. The following fields of business activity fall into this category:

- grocery stores
- men's wear
- bakeshops
- tobacconists
- drug store
- radio service store
- meat market
- book shop
- optician's store
- jewellery store
- fish market
- restaurant
- flower shop.

For a newcomer to many types of business a measure of assistance in valuing inventory is often provided free-of-charge by the wholesales in the particular field. Upon request, these firms will provide experienced personnel from within their own organizations, who will make a complete survey of the stock-in-trade with reference to cost and quantity on hand at the time of sale. In other cases, an examination

of invoices and other cost records or general experience will serve as a guide in arriving at a fair estimate of the value of the inventory.

On the other hand, in the twelve other fields of retail activity the common practice was found to be that of paying only a percentage of the invoice price for all good merchandise. The actual percentage quoted varied from a low of 35 per cent. in the paint and wallpaper field to a high of 90 per cent. in the retail furrier business. The general average would seem to lie somewhere between 75 per cent. and 80 per cent. of cost or invoice price.

With respect to broken lines, dead stock and old stock, the prevailing practice most definitely is to pay a price considerably below the estimates previously quoted. Often the actual amount to be paid for such merchandise will be the subject of much discussion between the two parties to a sale, and no hard and fast rules or generalization can be applied which will satisfactorily cover this particular phase of every business transfer.

Fixtures:

The common practice with reference to fixtures in cases of business transfers varies widely. The term "fixtures" is usually applied to such things as counters, shelving, display cases, mechanical refrigeration equipment, lights, typewriters, cash registers and other equipment needed in the course of maintaining a going concern. At the present time, in wartime, most fixtures may change hands at figures closely approximating their original cost price since little new equipment of this nature is being produced. In normal times, however, the average basis of valuation would run close to 50 per cent. of the cost of similar new equipment. In some instances, fixtures may be valued on a cost-less-depreciation basis, 5 per cent. to 10 per cent. per year being the normal figure for depreciation.

Occasionally, fixtures may change hands at the very low valuation of from 5 per cent. to 10 per cent. of cost or some amount considerably less than that paid for the "goodwill" of a business. In the latter case, it would be quite fair to assume that either the fixtures were quite obsolete, were few in number or that the goodwill aspect was heavily overvalued due to such factors as exceptional location, high traffic density, or the personal esteem of the proprietor.

Goodwill:

In only fourteen of the twenty-three types of business was goodwill considered to be worth money, in the event of selling a going

concern. This is a distinct departure from the generally accepted view of a generation ago, which held that every business was worth a certain amount for goodwill. The only information of what might constitute a fair amount for goodwill was secured in three cases and they ranged from 3 per cent. to 10 per cent. of the invoice price for stock and fixtures. In the case of two fish markets located in Brantford and Hamilton which changed hands recently, \$500 was paid in each case, for the goodwill attendant to the business.

It is generally recognized that the price paid for fixtures and location is closely linked to the amount received for goodwill. If the purchaser wants the business badly enough he may pay more for the fixtures than he estimates they may be worth on the market, and this increment can often be tagged as the real price paid for goodwill. The same situation holds true also for location. If a business is located in an area where pedestrian and/or motor traffic volume is generally heavy and fairly sustained the year around, the buyer may pay more for the goodwill which is actually a mask for the price that he pays for getting that location.

Today the generally accepted view seems to be that the dollar value of goodwill connected with a business ceases once the previous owner severs his connection with the business and the new proprietor must start from scratch, so to speak, to build goodwill into something with a tangible value again.

Receivables:

Opinion was divided as to general practice with regard to receivables in cases of business transfers. In ten of the total of twenty-three types of outlets covered, the consensus was that they would not be bought and collected by the new proprietor, but that they would be collected by the proprietor who incurred them in course of operation. In some thirteen instances, it was felt that the accounts receivable might be bought on a percentage basis ranging from 50 per cent. to 75 per cent. of their face value. In the case of one fish market they were assumed for a hundred cents on the dollar.

Any final decision as to whether to assume them or not will, in most instances, be best arrived at after a careful examination of the age of the accounts and the relative degree of the collection risk for the locality which will determine the percentage you may have to write off as uncollectible. Trade practice in this regard should not be the major consideration governing such an important decision.

Reference to the accompanying table at the conclusion of this report may prove of value in connection with specific businesses.

Channels of Disposition:

There are several different channels through which businesses are offered for sale. The first is the business agency or broker which accepts listings of concerns which are for sale, and provides a common meeting ground for interested purchasers. The commission charged by such firms is usually 5 per cent. of the selling price of a business, with a minimum amount of \$50.00. In London, business agencies of this nature are not found, but their functions are often assumed from time to time by various real estate brokers.

The majority of businesses are sold privately, the owner dealing directly with the prospective buyer. Newspaper or trade paper advertising is quite generally used to bring these two classes of individuals together.

Often travellers employed by the wholesale firms learn of certain businesses which are up for sale, and they put interested parties in contact with the owner. This is especially true in the grocery, shoe store, and hardware fields.

The following concerns and individuals constituted the sources of information for this report.

Stores:

- Cavanaughs Grocery
- Stuarts Mens Wear
- Townleys Ladies Wear
- Ross Bakery
- Lewis Bakery
- Nut Krust Bakery
- Grafsteins Furs
- Cooks Ltd.
- Rowland Hill Shoe Store
- Bill Dobie Hardware
- Cowan Hardware
- Byrnes Tobacco Store
- A. Wolf & Son
- Smith Graham Drug Store
- Cairncross Drug Store
- Mayfair Studios
- Stallard and Ryall Radio Service
- Chambers Meat Market
- Wendell Holmes Book Store
- Wyatt Furniture
- Steele Optical Co.

- John A. Nash
- Silverstein Fish Market
- Channers' Paint and Wallpaper
- Smallman and Ingram
- London Cafe
- Andersons Art Store
- Heintzman & Co.
- Miss Pearsons Flower Shop

Individuals:

- Mr. Tufts, London Life Insurance Co.
- Mr. Jack Cooper, Elliott Marr & Co.
- Mr. Bert Weir
- Mr. Harry Siemon
- Mr. A. M. McIntyre, Wartime Prices and Trade Board
- Mr. Dalgleish, Wartime Prices and Trade Board
- Mr. Hunt, Stevenson and Hunt Real Estate.

TOPIC	GROCERY STORE	MEN'S WEAR	LADIES' WEAR	BAKESHOP	SHOE STORE
REAL ESTATE				Less than assessed value.	More than assessed value.
INVENTORY	Invoice price, usually taken by wholesale.	Invoice price depends on age and condition of stock.	As much as you can get, depending on the condition of the stock and age.	Invoice price, costed by supplier, per cent for old or dead stock.	Percentage of invoice price; may use wholesale to take stock.
FIXTURES	Percentage of cost price, some less than 50% of cost.	Nothing.	Percentage of cost, or a nominal sum.	50% - 75% of cost.	Not more than 50% of invoice price. 25% - 50% usual.
GOODWILL	Not paid for.	Often paid for.	Often paid for; closely tied in with location.	Not paid for.	Would be paid for.
ACCOUNTS RECEIVABLE	Sometimes assumed on a percentage basis. Owners usually do this.	100% basis.	Assumed in most cases, if at all, on a percentage basis.	Not assumed in majority of cases by new owner.	Commonly assumed on a percentage basis.
MANNER OF SALE	Through wholesalers and travelers.	Through business agencies.	Private sale.	Business agency or trade paper is common medium.	Trade paper or private contacts.
TURNOVER	3.5 to 5.	3.5 to 5.	5	50% per month.	2 - 4.
AVERAGE PRICE	\$600 - \$1,200.	\$15,000 - \$45,000.	\$9,000	\$500 +	\$10,000.
TIME TO BUY	Low inventory period of any month.	February or October.	Beginning or end of a style season.	January - February July-August.	Before Easter.

TOPIC	HARDWARE STORE	TOBACCONIST	DRUG STORE	RADIO SERVICE STORE	PHOTOGRAPHER
REAL ESTATE	More than assessed value.	Near assessed value.	{ Near than } more assessed value.	More than assessed value.	
INVENTORY	80% of invoice for clean stock, 50% for dirty stock. Wholesalers cost it.	Invoice price, done by wholesale.	Invoice price, done by wholesale.	Invoice price.	75% of invoice price, wholesalers would cost it.
FIXTURES	35% of cost.	50% of cost.	10% of cost perhaps.	75% of cost; don't depreciate much unless equipment is technically obsolete.	Subject of bargaining.
GOODWILL	Not paid for.	Paid for in some cases where location is N.B.	3 - 5% of gross sales price.	Not paid for.	Would be paid for.
ACCOUNTS RECEIVABLE	Not usually bought in transfers of businesses.	Not assumed; few, if any, in this type of business.	Assumed on a percentage basis up to 75% of face value.	Not assumed.	
MANNER OF SALE	Trade papers and travellers.	Trade papers and private contacts.	Trade papers, but chiefly private sale.	Private contacts.	
TURNOVER	3 - 4.	Stock turns once a week.	4 - 6.		4.
AVERAGE PRICE	\$8,000 - \$10,000.	\$1,500 - \$2,000.	\$5,000 - \$10,000.	\$500 +	\$1,000 - \$5,000.
TIME TO BUY	Immediately prior to spring or fall seasons.	Anytime.	September.	Anytime.	September.

TOPIC	MEAT MARKET	BOOK STORE	FURNITURE STORE	OPTICAL SHOP	JEWELRY STORE
REAL ESTATE	More than assessed value.	Near assessed value.	More than assessed value.		
INVENTORY	Invoice price for fresh stock. Wholesale does not usually cost it for you.	Invoice for good stock, percentage for rest.	60% to 75% of invoice price on good stock, less on others.	Invoice for fresh stock, percentage for rest.	Invoice for fresh stock, percentage for rest.
FIXTURES	50% - 75% of cost.	Low value, 50% maybe.	50% of cost.	Lump sum, no definite percentage.	75% of cost.
GOODWILL	Not paid for.	Would be paid for.	Would be paid for.	Not paid for.	Would be paid for.
ACCOUNTS RECEIVABLE	Not generally assumed by new owner.	Not usually assumed, percentage if assumed.	Assumed on percentage basis of face value.	Not assumed.	Not assumed.
MANNER OF SALE	Trade papers.	Private sale.	Mostly private sale, many start from scratch and grow to size.	Trade paper usually.	Usually by private sale.
TURNOVER	One every ten days.	3.	4.		6.
AVERAGE PRICE	\$2,500.	\$5,000.	\$15,000 - \$5,000 (in Strathroy)	\$200 - \$5,000 (\$25% down)	\$5,000 - \$10,000.
TIME TO BUY	Winter or summer.	August.	March.	Anytime.	Anytime.

FISH MARKET	PAINT AND WALL PAPER STORE	DEPARTMENT STORE	RESTAURANT
Invoice price.	10% either above or below assess- ment.	More than assessed value.	More than assessed value.
5 - 10%.	35% of invoice price.	80% of invoice price. Use own experts.	Invoice price done by outside valuator.
Would be paid for— 5% - 10% of total price (\$500 in Hamilton)	60% - 75% for machines, less for rest.	Less than 50%.	50% of cost.
Not assumed usually. In one case they changed hands for 100 cents on the \$1.	Would be paid for.	Would be paid for in some cases.	Should not pay for it, but to get location it might be necessary.
12 +	Percentage depending on age.	Assumed by new owner at a per- centage with respect to age.	None.
\$5,000	Private sale.	Trade papers in U.S. Here private sale.	Trade paper, private sale.
September.	2 - 3.	5.	\$12,000
	\$18,000 - \$28,000.	\$100,000 - \$1,000,000.	Anytime.
	Spring.	September.	

TOPIC	ART STORE	FLOWER SHOPPE	MUSIC STORE	FURRIER
REAL ESTATE	More than assessed value.		10% above assessed value.	
INVENTORY	Per cent of invoice price, 50% on some stock.	Palms, moss, ferns, tinfoil at invoice, less for fresh flowers.	Per cent of invoice, depending upon age and type of stock.	85% to 95% of invoice price.
FIXTURES	Less than 50% of cost.	Less than for goodwill.	Varies. 50% average depends on bargaining.	Nothing.
GOODWILL	Would not be paid for.	Would pay for it.	Would be paid for.	5% - 10% of invoice price.
ACCOUNTS RECEIVABLE	Not assumed. Collected by previous owner.	Assumed on a percentage of face value.	Assumed at a percentage of face value. 50% quoted.	Assumed on a percentage basis.
MANNER OF SALE	Private sale.	Trade papers.	Trade papers, private sale.	Business agencies, private sale.
TURNOVER	4.		2 - 4.	3 - 4.
AVERAGE PRICE	\$2,000.	\$2,000 - \$3,000 for good size, less for smaller.	\$10,000.	\$600 +
TIME TO BUY	September.	July or October.	Spring.	January or February

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